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ITEM 8:* THE ENVIRONMENT FUND, OTHER FINANCIAL MATTERS AND ADMINISTRATION

THE ENVIRONMENT FUND: USE OF RESOURCES IN 1992-1993 AND PROPOSED USE OF PROJECTED RESOURCES IN 1994-1995 AND 1996-1997

Report of the Executive Director

Addendum

Summary

The present addendum updates figures set out in the report of the Executive Director on the use of the Environment Fund in 1992-1993 and the proposed use of projected resources in 1994-1995 and 1996-1997 (UNEP/GC.17/16). Two alternative financial scenarios for the proposed use of projected resources in 1994-1995 and 1996-1997 are presented for consideration: the first (scenario A) assums that contributions will stand at $ 65 million a year throughout the period 1994 to 19976, while the second (scenario B) assumes contributions of $ 70 million in 1994 and 1995, increasing by $ 5 million a year thereafter.

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* Refers to the number of the item on the provisional agenda (UNEP/GC.17/1).

I. THE FIRST YEAR OF THE BIENNIUM 1992-1993

A. *Resources available during 1992*

1. As at 31 March 1993, estimated contributions to the Environment Fund in 1992 as at 31 March 1993 added up to $62.84 million, of which $61.61 million had been paid and $1.23 million unpaid.

B. *Use of resources in 1992*

2. Final expenditures in 1992 and the resources carried forward to 1993 were as follows:

	(Millions of United States dollars)
Programme and programme support costs (excluding loan regular budget)	15.76
Loan to regular budget for new premises	3.49
Fund programme activities and reserve activities	37.39
Total expenditure	**56.64**
Balance carried forward to 1993	43.38

3. Excluding the loan to the regular budget for the construction of new premises, expenditure in 1992 on programme and programme support costs (PPSC) was recorded in UNEP accounts as $15.76 million, compared with the allocation of $17.62 million (UNEP/GC.17/16, paragraph 21). This expenditure was 25 per cent of the pledges for 1992 of $62.84 million. Inclusive of the loan, the percentage would be 30.6.

II. THE SECOND YEAR OF THE BIENNIUM 1992-1993

A. *The outlook for resources in 1993*

4. By the end of March 1993, 33 pledges of contributions totalling $32.87 million had been pledged and paid to the Environment Fund for 1993, a further $5.42 million had been pledged but not paid, and estimates for countries that had not yet made a formal pledge amounted to $ 25.66 million, making a total of pledged and estimated contributions of $63.95 million. Recent changes in exchange rates of exchange have meant that contributions denominated in local currencies provide the Fund with less United States dollars than previously estimated.

5. The Executive Director has revised the estimate of total resources available in 1993 as follows:

	(Millions of United States dollars)
Balance of Fund as at 1 January 1993	43.38
Estimated contributions for 1993	63.95
Other income	1.00
Total resources	**108.33**

B. *The planned use of resources in 1993*

6. PPSC expenditures of $ 15.76 million in 1992 (excluding the loan to the regular budget) left a balance of $ 18.57 million available from the proposed revised appropriation of $34.33 million for the biennium 1992-1993 (see UNEP/GC17/17, table 3). This level of expenditures would be equivalent to 29 per cent of the estimated contributions of $63.95 million for 1993.

7. As noted elsewhere by the Executive Director (UNEP/GC.17/16 paragraph 24), the level of the Environment Fund programme for the biennium 1992-1993 had been revised downwards to $120 million. (The Fund programme reserve was held at its approved level of $ 5 million). The recorded expenditures of $ 36.31 million for Fund programme activities and $ 1.08 million for Fund programme reserve left balances of $83.69 million and $3.92 million respectively for spending in 1993.

8. Accordingly, as shown in annexes I and II, the projected use of resources for 1993 would be as follows:

	(Millions of United States dollars)
Programme and programme support costs	18.57
Fund programme activities	83.69
Fund programme reserve activities	3.92
Less underspending	-17.52
Total resources	**88.66**
Balance to be carried forward to 1994	**19.67**

III. THE BIENNIUMS 1994-1995 AND 1996-1997

A. *The outlook for resources*

9. Planning of the programme for 1994-1995 and 1996-1997 is dependent upon the projected level of contributions to the Environment Fund. Based on discussions in the Committee of Permanent Representatives, the Executive Director submits to the Council two alternative scenarios in annexes I and II.

10. Annex I assumes that contributions are $65 million in all four years 1994 to 1997. If this were the case, total resources for 1994-1995 and 1996-1997 are estimated as follows:

	1994-1995	1996-1997
	(Millions of United States dollars)	
Balance of Fund brought forward from previous biennium	19.67	15.66
Contributions	130.00	130.00
Other income	2.00	2.00
Total resources	**151.67**	**147.66**

10. Annex II assumes contributions of $70 million both in 1994 and 1995 with increases of $5 million per year thereafter. With this scenario, total resources are estimated as follows:

	1994-1995	1996-1997
	(Millions of United States dollars)	
Balance of Fund brought forward from previous biennium	19.67	8.06
Contributions	140.00	155.00
Other income	2.00	2.00
Total resources	**161.67**	**165.06**

B. *Planned use of resources*

12. The PPSC budget presented in the Executive Director's report on the sbuject (UNEP/GC.17/17) has been prepared under the "zero growth" assumption, except for the proposed provision for staff training and only takes into account projected inflation.

13. On this basis, as shown in annex I, a level of contributions of $65 million per year would allow the implementation of only a $100 million programme in both 1994-1995 and 1996-1997 with a run down of end-year balances over this four year period. The projected use of resources for 1994-1995 and 1996-1997 under this assumption would be:

	1994-1995	1996-1997
	(Millions of United States dollars)	
Programme and programme support costs	43.61	46.95
Programme activities	100.00	100.00
Fund programme reserve activities	5.00	5.00
Less underspending	-12.60	-12.60
Total expenditures	**136.01**	**139.35**
Balance to be carried over to next biennium	**15.66**	**8.32**

14. Annex 2 shows that contributions of $70 million both in 1994 and 1995 and yearly increases of $5 million in 1996 and 1997 would be necessary to keep the Fund programme at a $120 million level. Under these assumptions, the projected use of resources for 1994-1995 and 1996-1997 would be:

	1994-1995	1996-1997
	(Millions of United States dollars)	
Programme and programme support costs	43.61	46.95
Fund Programme activities	120.00	120.00
Fund programme reserve activities	5.00	5.00
Less underspending	-15.00	-15.00
Total expenditures	**153.61**	**156.95**
Balance to be carried over to next biennium	**8.06**	**8.12**

Annex I

FLOW AND USE OF RESOURCES OF THE FUND THROUGH 1997: SCENARIO A*
(March 1993)
(Millions of United States dollars)

	1990 Actual	1991 Actual	1992 Actual	1993 Estimate	1994 Projection	1995 Projection	1996 Projection	1997 Projection
			Env. Fund prog.: $120m		Env. Fund prog.: $100m		Env. Fund prog.: $100m	
RESOURCES								
(a) Balance of Fund on 1 January	30.55	37.10	35.41	43.38	19.67	21.87	15.66	16.76
(b) Contributions paid by 31 March 1993	51.82	58.80	61.61	32.87	0.00	0.00	0.00	0.00
(c) Estimated contributions due for years shown	0.16	0.20	1.23	31.08	65.00	65.00	65.00	65.00
(d) Miscellaneous income	-3.48	2.56	1.77	1.00	1.00	1.00	1.00	1.00
TOTAL RESOURCES	**79.05**	**98.66**	**100.02**	**108.33**	**85.67**	**87.87**	**81.66**	**82.76**
CLAIMS ON RESOURCES								
(e) Programme and programme support costs**	13.09	14.86	15.76	18.57	21.80	21.81	22.90	24.05
(f) Fund programme activities	23.49	32.32	36.31	83.69	50.00	60.00	50.00	60.00
(g) Fund programme reserve activities	1.00	1.92	1.08	3.92	2.50	3.00	2.50	3.00
(h) Additional Programme	4.37	11.64	0.00	0.00	0.00	0.00	0.00	0.00
(i) Project commitments to be cancelled or rephased to later years	0.00	0.00	0.00	-17.52	-10.50	-12.60	-10.50	-12.60
(j) Total project expenditure (f+g+h+i)	28.86	45.88	37.39	70.09	42.00	50.40	42.00	50.40
(k) New premises expenditures	0.00	2.51	3.49	0.00	0.00	0.00	0.00	0.00
(l) TOTAL CLAIMS (e+j+k)	**41.95**	**63.25**	**56.64**	**88.66**	**63.80**	**72.21**	**64.90**	**74.45**
BALANCE OF FUND ON 31 DECEMBER	**37.10**	**35.41**	**43.38**	**19.67**	**21.87**	**15.66**	**16.76**	**8.32**

* Assumes contributions of $65 within a year throughout the period 1994-1997.

** Excluding cost of new premises.

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Annex II

FLOW AND USE OF RESOURCES OF THE FUND THROUGH 1997 SCENARIO B*
(March 1993)
(Millions of United States dollars)

	1990 Actual	1991 Actual	1992 Actual	1993 Estimate	1994 Projection	1995 Projection	1996 Projection	1997 Projection
			Env. Fund prog $120m		Env. Fund prog $120m		Env. Fund prog $120m	
RESOURCES								
(a) Balance of Fund on 1 January	30.55	37.10	35.41	43.38	19.67	18.87	8.06	11.16
(b) Contributions paid by 31 March 1993	51.82	58.80	61.61	32.87	0.00	0.00	0.00	0.00
(c) Estimated contributions due for years shown	0.16	0.20	1.23	31.08	70.00	70.00	75.00	80.00
(d) Miscellaneous income	3.48	2.56	1.77	1.00	1.00	1.00	1.00	1.00
TOTAL RESOURCES	**79.05**	**98.66**	**100.02**	**108.33**	**90.67**	**89.87**	**84.06**	**92.16**
CLAIMS ON RESOURCES								
(e) Programme and programme support costs**	13.09	14.86	15.76	18.57	21.80	21.81	22.90	24.05
(f) Fund programme activities	23.49	32.32	36.31	83.69	60.00	72.00	60.00	72.00
(g) Fund programme reserve activities	1.00	1.92	1.08	3.92	2.50	3.00	2.50	3.00
(h) Additional programme	4.37	11.64	0.00	0.00	0.00	0.00	0.00	0.00
(i) Project commitments to be cancelled or rephased to later years	0.00	0.00	0.00	-17.52	-12.50	-15.00	-12.50	-15.00
(j) Total project expenditure (f+g+h+i)	28.86	45.88	37.39	70.09	50.00	60.00	50.00	60.00
(k) New premises expenditures	0.00	2.51	3.49	0.00	0.00	0.00	0.00	0.00
(l) TOTAL CLAIMS (e+j+k)	**41.95**	**63.25**	**56.64**	**88.66**	**71.80**	**81.81**	**72.90**	**84.05**
BALANCE OF FUND ON 31 DECEMBER	**37.10**	**35.41**	**43.38**	**19.67**	**18.87**	**8.06**	**11.16**	**8.12**

* Assumes contributions of $70 million in 1994 and 1995, rising by $5 million a year thereafter.

** Excluding cost of new premises.